



# House Budget Committee

## Democratic Caucus

U.S. Rep. John Spratt ■ Ranking Democratic Member

### News Release

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June 22, 2000 — For Immediate Release  
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## **Spratt Commended for New Budget Rule that Helps Co-ops**

**WASHINGTON -- The National Rural Electric Cooperative Association (NRECA) today commended U.S. Rep. John Spratt (D-SC) for his role in instituting a budget rule that will make it easier for the Power Marketing Administrations (PMAs) to buy and sell electricity and assure a steady supply of power to their customers.**

Glenn English, NRECA's Chief Executive Officer, praised Spratt for his work. "Congressman Spratt's determination, energy and expertise changed the rules. His accomplishment will have far reaching benefits for consumers in South Carolina and the rest of the country. John Spratt knows how to get the job done for the people of South Carolina," English said.

Spratt spearheaded the new rule through Congress and the Office of Management and Budget. Thanks largely to the rule, the President this year requested \$70 million to allow the Southeastern Power Administration (SEPA) and other power marketing administrations to buy and re-sell power. By contrast, the President's request last year was zero, and funding by the Appropriations Committee was a bone of contention. As proof that the rule works, the House Appropriations Committee this year has already approved a bill providing \$70 million for SEPA and other PMAs for this purpose.

"This rule change may seem like a mere technicality, but it is a big plus for the PMAs, and their main customers, the rural electric cooperatives and the municipal electric companies," said Spratt. "This rule makes it much easier for the President to request \$70 million for the PMAs to buy and re-sell power in his budget and much more likely that Congress will approve such requests."

PMAs market power produced by federal dams. They sell power at cost and return their receipts to the Treasury, partly to repay the government for the cost of building the lakes and dams that generate their power. The rates the PMAs charge are generally lower than those for power produced through other means because it is hydropower from facilities built with government financing.

Santee Cooper and the rural electric cooperatives in South Carolina buy significant portions of their power from SEPA, generated at hydro-electric stations like Lake Thurmond and Lake Russell on the Savannah River.

When the PMAs are unable to generate enough power from their own hydroelectric plants to meet demand, they purchase power from other producers and re-sell it to their utility customers, a procedure known as “purchase power and wheeling.” Appropriating money for “purchase power and wheeling” results in little or no cost to the government, since the power is immediately re-sold at cost.

“The problem was that our budget scorekeeping rules did not reflect this reality,” said Spratt. “Instead, all appropriations are counted as spending, and are subject to spending caps that have grown tighter each year. The PMAs are supposed to be self-funding, and for the most part they are, so when the Appropriations Committee has to come up with \$70 million to pay for purchased power, it becomes a sore point. The spending is offset by revenues, but the revenues are booked to other accounts of the budget.”

Spratt said his “scorekeeping” change simply offsets the outlays for “purchase power and wheeling” against incoming receipts. In other words, the proceeds derived from the sale of purchased power are applied against the appropriations that pay for the purchase of this power. Since the two items are virtually a “wash,” the Appropriations Committee does not have to displace some \$70 million of energy and water projects to fund “purchase power and wheeling.”

Spratt has been a leader in marshaling congressional support for rural electric cooperatives. In the early 1990s, he helped rewrite the congressional rules that determine how government loans and guaranties to the co-ops are budgeted, and made it easier to continue the rural electrification loan program. In 1995, he led the opposition in Congress to a proposal to sell the power marketing administrations, starting with Southeastern Power Marketing Administration. Spratt argued that the power stations at Lakes Thurmond and Russell could not be sold without raising the cost of electricity and hurting economic development in areas of South Carolina that need it most. Although the House Resources Committee approved the sale by one vote, the plan was ultimately stripped from that year’s budget reconciliation bill.

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